

CITY OF NORTHAMPTON, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2007

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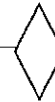
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Independent Auditors' Report

To the Honorable Mayor
City of Northampton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the fiscal year ended June 30, 2007, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2006), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Northampton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2007, (except for the Northampton Contributory Retirement System, which is as of December 31, 2006), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the City of Northampton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the general purpose financial statements of the City of Northampton, Massachusetts, taken as a whole. The supplementary supporting statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Northampton, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore, express no opinion on it.

A handwritten signature in black ink, appearing to read 'TJ Scanlon', written over a horizontal line.

THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
November 2, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Northampton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

- The City's assets exceeded its liabilities by \$101,724,194 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$95,916,179 or an increase of \$5,808,015.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$69,046,763 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$8,945,910 are restricted by constraints imposed from outside the City such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$23,731,521 represent a portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$17,348,559 this year. This compares to the prior year ending fund balance of \$14,257,091 showing an increase of \$3,091,468 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$2,707,535, or 3.62% of total General Fund expenditures including transfers and 3.64% of total General Fund revenues including transfers and capital lease.
- Total liabilities of the City increased by \$20,248,283 to \$89,020,710 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Northampton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, water and solid waste activities.

The government-wide financial statements include not only the City of Northampton itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Northampton is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Northampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains three proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and solid waste activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights

Statement of Net Assets Highlights

	Governmental Activities		
	2007	2006	Change
Assets:			
Current assets	\$ 28,099,551	\$ 27,935,641	\$ 163,910
Noncurrent assets (excluding capital)	21,566,992	23,849,322	(2,282,330)
Capital assets	69,386,026	64,194,305	5,191,721
Total assets	119,052,569	115,979,268	3,073,301
Liabilities:			
Current liabilities (excluding debt and lease)	4,589,766	4,988,725	(398,959)
Noncurrent liabilities (excluding debt and lease)	2,097,333	1,930,075	167,258
Current debt and lease payable	4,860,797	7,391,601	(2,530,804)
Noncurrent debt and lease payable	37,301,060	33,689,241	3,611,819
Total liabilities	48,848,956	47,999,642	849,314
Net Assets:			
Capital assets net of related debt	51,136,047	50,101,268	1,034,779
Restricted	8,945,910	7,153,534	1,792,376
Unrestricted	10,121,656	10,724,824	(603,168)
Total net assets	70,203,613	67,979,626	2,223,987

	Business-Type Activities		
	2007	2006	Change
Assets:			
Current assets	\$ 20,206,252	\$ 13,454,788	\$ 6,751,464
Capital assets	51,486,083	35,254,550	16,231,533
Total assets	71,692,335	48,709,338	22,982,997
Liabilities:			
Current liabilities (excluding debt)	1,532,382	405,702	1,126,680
Noncurrent liabilities (excluding debt)	951,463	1,039,369	(87,906)
Current debt	2,250,738	8,743,801	(6,493,063)
Noncurrent debt	35,437,171	10,583,913	24,853,258
Total liabilities	40,171,754	20,772,785	19,398,969
Net Assets:			
Capital assets net of related debt	17,910,716	15,926,836	1,983,880
Unrestricted	13,609,865	12,009,717	1,600,148
Total net assets	31,520,581	27,936,553	3,584,028

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2007	2006	Change
Program Revenues:			
Charges for services	\$ 11,161,973	\$ 10,449,045	\$ 712,928
Operating grants and contributions	24,581,762	23,943,002	638,760
Capital grants and contributions	3,677,716	2,575,082	1,102,634
General Revenues:			
Property taxes	34,815,844	32,347,855	2,467,989
Motor vehicle and other taxes	2,146,183	2,314,247	(168,064)
Hotel room occupancy taxes	368,770	359,388	9,382
Penalties and interest on taxes	202,872	259,840	(56,968)
Nonrestricted grants and contributions	5,809,805	4,909,346	900,459
Unrestricted investment income	800,878	605,181	195,697
Miscellaneous	4,530	9,346	(4,816)
Total revenues	83,570,333	77,772,332	5,798,001
Expenses:			
General government	6,590,269	5,569,393	(1,020,876)
Public safety	9,901,764	9,987,792	86,028
Public works	3,778,604	4,631,313	852,709
Education	36,104,663	33,901,717	(2,202,946)
Health and human services	2,028,560	1,812,956	(215,604)
Culture and recreation	2,544,899	3,450,348	905,449
Employee benefits and insurance	19,147,772	18,133,103	(1,014,669)
State assessments	2,131,790	2,092,756	(39,034)
Interest	1,799,968	1,824,238	24,270
Total expenses	84,028,289	81,403,616	(2,624,673)
Contributions to Permanent Funds	14,800	9,294	5,506
Transfers, net	2,667,143	2,589,948	77,195
Change in net assets	2,223,987	(1,032,042)	3,256,029
Net assets - beginning of year	67,979,626	69,011,668	(1,032,042)
Net assets - end of year	\$ 70,203,613	\$ 67,979,626	\$ 2,223,987

	Business-Type Activities		
	2007	2006	Change
Program Revenues:			
Sewer	\$ 4,079,092	\$ 3,865,406	\$ 213,686
Water	4,266,033	3,996,082	269,951
Solid Waste	3,637,669	3,539,926	97,743
Total Revenues	11,982,794	11,401,414	581,380
Expenses:			
Sewer	2,848,427	2,762,988	(85,439)
Water	1,997,003	2,264,880	267,877
Solid Waste	1,631,127	1,530,896	(100,231)
Total expenses	6,476,557	6,558,764	82,207
Unrestricted investment income	744,934	512,470	232,464
Transfers, net	(2,667,143)	(2,589,948)	(77,195)
Change in net assets	3,584,028	2,765,172	818,856
Net assets - beginning of year	27,936,553	25,171,381	2,765,172
Net assets - end of year	\$ 31,520,581	\$ 27,936,553	\$ 3,584,028

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$101,724,194 at the close of FY 2007.

Net assets of \$69,046,763 (68%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$8,945,910 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$23,731,521 (23%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets increased by \$2,223,987 during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed to expenditures exceeding revenues by \$457,956, transfers in from the sewer, water and solid waste funds of \$2,667,143 and contributions to permanent funds of \$14,800.

There was an increase of \$3,584,028 in net assets reported in connection with the sewer, water and solid waste business-type activities. Of this, the sewer department incurred an increase of \$12,962 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,337,942, less transfers out to the general fund of \$1,324,980. The water department incurred an increase of \$2,118,304 and was attributed to budgeting revenues sufficient to cover current operational costs by \$2,678,667, less transfers out to the general fund of \$560,363. The solid waste department incurred an increase of \$1,452,762 and was attributed to budgeting revenues sufficient to cover current operational costs by \$2,234,562, less transfers out to the general fund of \$781,800.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$17,348,559. Of this year-end total, \$2,707,535 is the undesignated general fund balance, indicating availability for continuing City service requirements. Reserved and designated fund balances include \$1,955,497 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$627,606 in perpetual permanent funds; \$1,532,442 reserved for the 2008 budget; \$9,963,654 in special revenue funds; \$453,915 in capital projects funds; and \$107,910 in permanent funds.

The total ending fund balances of the governmental funds shows an increase of \$3,091,468 in comparison with the prior year. The increase is attributable to expenditures exceeding revenues by \$7,871,215, transfers in from the business-type activities of \$2,667,143, a capital lease for \$147,073 and proceeds from bonds of \$8,148,467.

Major Governmental Funds

The *general fund* is the City's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$2,707,535, while total fund balance reached \$4,713,032. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 3.62% of total general fund expenditures including transfers and total fund balance represents 6.30% of that same amount. Unreserved/undesignated fund balance represents 3.64% of total general fund revenues including transfers and the execution of a capital lease and total fund balance represents 6.33% of that same amount.

The fund balance of the general fund decreased by \$313,127. Of this amount \$4,090,707 was attributed to the expenditures over revenues, \$71,905 of net transfers to the stabilization fund, \$1,035,269 of net transfers from the non-major funds, \$2,667,143 in transfers in from the business-type activities and \$147,073 from the execution of a capital lease.

The *stabilization fund* has accumulated a fund balance of \$3,375,702, or 4.52% of total General Fund expenditures including transfers and 4.53% of total General Fund revenues including transfers and the execution of a capital lease. These funds can be used for general or capital purposes upon City Council approval.

The fund balance of the stabilization fund increased by \$216,096. Of this amount \$144,191 was attributed to interest income, \$1,203,905 of transfers in from the general fund and \$1,132,000 out to the general fund. Please refer to Note 3H for additional information.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *sewer fund* is the financing and operations of the City's sewer system. The sewer fund shows an increase of \$12,962 in total operations, the result of operating revenues exceeding operating expenditures by \$1,392,378, interest income of \$107,277, interest expense of \$161,713 and \$1,324,980 of transfers to the general fund.

The *water fund* is the financing and operations of the City's water system. The water fund shows an increase of \$2,118,304 in total operations, the result of revenues exceeding expenditures by \$2,507,235, interest income of \$409,637, interest expense of \$400,687, intergovernmental revenue of \$162,482 and \$560,363 of transfers to the general fund.

The *solid waste fund* is the financing and operations of the City's solid waste system. The solid waste fund shows an increase of \$1,452,762 in total operations, the result of revenues exceeding expenditures by \$2,104,497, interest income of \$228,020, interest expense of \$97,955 and \$781,800 of transfers to the general fund.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2007 was \$69,689,018. This was an increase of \$4,071,737 over the previous year's final budget.

There were negative variances in excise and other taxes and interest on taxes of \$19,711 and \$88,023, respectively attributed to estimating these amounts too high. This was more than offset by budgetary surpluses attributed primarily to property tax and tax title revenue plus accumulated interest of \$114,703, state receipts of \$99,941, licenses, permits and fees of \$282,083 and interest on investments of \$235,004. Overall, actual total revenue exceeded the budget by \$623,997.

During the year, the City Council voted increases totaling \$2,228,813 to the original budget. The increases are primarily attributed to veteran's service benefits for \$153,335, emergency generator for \$23,500, acquisition of conservation land for \$50,000, legal services of the planning department for \$15,000, oil for central services for \$50,000, sick leave buy back for \$50,000, vehicles supplies for the highway division for \$75,000, flood control for \$3,000, fire department fuel for \$53,000, professional services for the Mayor's office for \$5,000, legal services for \$6,000, various departments for \$432,515, central services inspections and trash for \$25,000, replace defibrillators for \$72,800, EMS accounts for \$313,000, the parking division for \$331,000, Smith Vocational High School projects for \$190,000, the 2007 capital program for \$300,000, the police facility building committee for \$50,000, dispatch center upgrade for \$40,000, capital lease payments for \$42,000 and \$51,337 of transfers from various appropriations.

Of the \$2,513,253 in unexpended/committed budget expenditures \$1,955,497 has been carried over to fiscal year 2008 leaving a surplus of \$557,756 to close to undesignated fund balance.

Capital Asset and Debt Administration

Capital Assets. Major Capital asset additions (including the completion of construction in progress items) in the governmental activities consisted of the purchase of:

- Conservation land for \$1,064,930.
- Four parcels of land for the department of public works for \$9,980.
- City Hall exterior upgrade for \$13,800.
- A mailing machine for \$33,598.
- Four police cruisers for \$109,930.
- A closed circuit TV for the police department for \$49,500.
- A pumper fire truck for \$379,402.
- A thermal imager for \$37,189.
- An ambulance for \$138,628.
- Loaders and two vehicles for the department of public works for \$108,921.
- A dump truck for \$128,967.
- A tree truck for \$165,442.
- JFK middle school solar arrays for \$97,715.
- Gymnasium electrical fixtures for \$55,900.
- Northampton High School TV studio for \$202,015.
- Northampton High School computer equipment for \$297,207.
- School department vehicles and equipment for \$157,420.
- Smith Vocational High School Building E roof for \$34,950.
- North Maple Street intersection for \$605,347.

Construction in progress additions to capital assets during the year consisted of the Crescent Street and Bridge Road sidewalks and roads for \$100,533, Jackson Street school HVAC for \$89,825, senior center for \$3,737,777, Forbes Library renovations for \$70,249, Veterans Field drainage improvements for \$320,508, Smith Vocational High School parking lot for \$79,405, Smith Vocational High School cosmetology shop renovation for \$66,459, Jackson Street school burner for \$100,140, school cafeteria

point of sale systems for \$21,727, the Ridgewood Terrace project for \$306,165 and the Ryan Road project for \$80,410.

Capital asset additions during the year of \$17,902,348 in the business-type activity consisted of:

- in the sewer fund, \$112,001 for four vehicles, the Crescent/Bridge Road sewer project for \$14,093 and the Ridgewood Terrace sewer project for \$206,116.
- in the water fund, \$101,904 for five vehicles, \$143,734 for water meters, the Crescent/Bridge Road water mains for \$73,414, the Ridgewood Terrace water mains for \$1,106,715 and the water treatment plant for \$15,852,467.
- In the solid waste fund, \$183,502 for vehicles and equipment, \$44,525 for landfill cell 1 closure, \$18,382 for phase 4 landfill improvements, \$12,359 in phase 5 landfill expansion and gas wells for \$33,136.

Debt Administration. The City's outstanding governmental debt, as of June 30, 2007, totaled \$41,958,642, of which \$29,198,465 is for school projects, \$9,610,122 is for City building projects, \$570,000 for an aerial ladder fire truck, \$327,000 is for land acquisitions, \$642,000 for storm and surface drains, \$35,000 for recreation facilities, \$62,555 for the Septic V community septic program, \$140,000 for the skate park, \$245,000 for road and sidewalk projects, \$786,500 for departmental equipment, and \$342,000 in bond anticipation notes.

The City's outstanding business-type long term debt was \$3,294,165 in sewer debt, \$32,428,744 in water debt and \$1,965,000 solid waste debt for a total of \$37,687,909 in business-type debt.

The City also has capital leases for an ambulance and school department computer equipment. The last lease payment is due in 2010. The City currently owes \$222,341 on the leases consisting of \$203,215 in principal and \$19,126 in interest.

Please refer to notes 3C, 3E, 3F and 3G for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Northampton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, 210 Main Street, Northampton, Massachusetts.

BASIC FINANCIAL STATEMENTS

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 14,492,939	\$ 12,032,906	\$ 26,525,845
Investments	3,842,651	2,716,270	6,558,921
Receivables, net of allowance for uncollectibles:			
Property Taxes	760,777	-	760,777
Deferred Property Taxes	130,303	-	130,303
Taxes in Litigation	6,794	-	6,794
Rollback Taxes	1,580	-	1,580
Tax Liens	519,739	-	519,739
Excise Taxes and Other Taxes	324,887	-	324,887
User Charges	-	1,326,833	1,326,833
Departmental	457,100	-	457,100
Special Assessments	17,236	17,701	34,937
Loans	212,731	-	212,731
Due from Other Governments	6,314,900	4,112,542	10,427,442
Prepaid Expenses	1,017,914	-	1,017,914
Total current assets	28,099,551	20,206,252	48,305,803
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	21,566,992	-	21,566,992
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	15,370,317	26,591,706	41,962,023
Depreciable	54,015,709	24,894,377	78,910,086
Total noncurrent assets	90,953,018	51,486,083	142,439,101
Total Assets	119,052,569	71,692,335	190,744,904
LIABILITIES			
CURRENT:			
Warrants Payable	1,490,095	1,287,681	2,777,776
Accrued Payroll	882,852	-	882,852
Payroll Withholdings	457,369	-	457,369
Tax Refund Payable	248,100	-	248,100
Accrued Interest	450,078	146,304	596,382
Compensated Absences	1,061,272	98,397	1,159,669
Bond Anticipation Notes	342,000	-	342,000
Bonds and Lease Payable	4,518,797	2,250,738	6,769,535
Total current liabilities	9,450,563	3,783,120	13,233,683
NONCURRENT:			
Landfill Closure	-	893,997	893,997
Compensated Absences	2,097,333	57,466	2,154,799
Bonds and Lease Payable	37,301,060	35,437,171	72,738,231
Total noncurrent liabilities	39,398,393	36,388,634	75,787,027
Total Liabilities	48,848,956	40,171,754	89,020,710
NET ASSETS:			
Invested in Capital Assets, net of related debt	51,136,047	17,910,716	69,046,763
Restricted for:			
Capital Projects	795,915	-	795,915
Loans	212,731	-	212,731
Federal & State Grants	3,518,003	-	3,518,003
Permanent Funds:			
Expendable	147,910	-	147,910
Nonexpendable	627,606	-	627,606
Other Purposes	3,643,745	-	3,643,745
Unrestricted	10,121,656	13,609,865	23,731,521
Total Net Assets	\$ 70,203,613	\$ 31,520,581	\$ 101,724,194

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
General Government	\$	6,590,269	\$ 3,114,205	\$ 1,475,348	\$ 1,040,685	\$ (960,031)	\$ -	\$ (960,031)
Public Safety		9,901,764	1,846,977	478,892	-	(7,575,895)	-	(7,575,895)
Public Works		3,778,604	106,643	48,600	2,140,103	(1,483,258)	-	(1,483,258)
Education		36,104,663	5,492,971	13,550,156	97,464	(16,964,072)	-	(16,964,072)
Health and Human Services		2,028,560	145,177	1,428,549	93,059	(361,775)	-	(361,775)
Culture and Recreation		2,544,899	456,000	187,911	306,405	(1,594,583)	-	(1,594,583)
Employee Benefits and Insurance		19,147,772	-	6,473,051	-	(12,674,721)	-	(12,674,721)
State Assessments		2,131,790	-	-	-	(2,131,790)	-	(2,131,790)
Interest		1,799,968	-	939,255	-	(860,713)	-	(860,713)
Total Governmental Activities		84,028,289	11,161,973	24,581,762	3,677,716	(44,606,838)	-	(44,606,838)
Business-Type Activities:								
Sewer		2,848,427	4,079,092	-	-	-	1,230,665	1,230,665
Water		1,997,003	4,103,551	162,482	-	-	2,269,030	2,269,030
Solid Waste		1,631,127	3,637,669	-	-	-	2,006,542	2,006,542
Total Primary Government		\$ 90,504,846	\$ 22,982,285	\$ 24,744,244	\$ 3,677,716	(44,606,838)	5,506,237	(39,100,601)
General Revenues:								
Property taxes						34,815,844	-	34,815,844
Motor vehicle and other taxes						2,146,183	-	2,146,183
Hotel room occupancy taxes						368,770	-	368,770
Penalties & interest on taxes						202,872	-	202,872
Grants & contributions not restricted to specific programs						5,809,805	-	5,809,805
Unrestricted investment income						800,878	744,934	1,545,812
Miscellaneous						4,530	-	4,530
Contributions to Permanent Funds						14,800	-	14,800
Transfers, net						2,667,143	(2,667,143)	-
Total General Revenues, Contributions and Transfers						46,830,825	(1,922,209)	44,908,616
Change in Net Assets						2,223,987	3,584,028	5,808,015
Net Assets:								
Beginning of year						67,979,626	27,936,553	95,916,179
End of year						\$ 70,203,613	\$ 31,520,581	\$ 101,724,194

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 5,270,391	\$ 1,137,912	\$ 8,084,636	\$ 14,492,939
Investments	15,555	2,237,790	1,589,306	3,842,651
Receivables, net of allowance for uncollectibles:				
Property Taxes	749,693	-	11,084	760,777
Deferred Property Taxes	130,303	-	-	130,303
Taxes in Litigation	6,794	-	-	6,794
Rollback Taxes	1,580	-	-	1,580
Tax Liens	519,739	-	-	519,739
Excise Taxes	324,887	-	-	324,887
Departmental	304,165	-	152,935	457,100
Special Assessments	-	-	17,236	17,236
Loans	-	-	212,731	212,731
Due from Other Governments	24,531,542	-	3,350,350	27,881,892
Prepaid Expenses	1,017,914	-	-	1,017,914
Total Assets	\$ 32,872,563	\$ 3,375,702	\$ 13,418,278	\$ 49,666,543
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants Payable	\$ 840,666	\$ -	\$ 649,429	\$ 1,490,095
Accrued Payroll	882,852	-	-	882,852
Employee Withholdings	457,369	-	-	457,369
Tax Refund Payable	248,100	-	-	248,100
Deferred Revenue:				
Property Taxes	593,753	-	-	593,753
Other	25,136,791	-	3,167,024	28,303,815
Bond Anticipation Note Payable	-	-	342,000	342,000
Total Liabilities	28,159,531	-	4,158,453	32,317,984
Fund Balance:				
Reserved For:				
Encumbrances and continuing appropriations	1,955,497	-	-	1,955,497
Perpetual Permanent Funds	-	-	627,606	627,606
Unreserved:				
Designated for Subsequent Years' Expenditures	50,000	1,321,070	161,372	1,532,442
Undesignated, reported in:				
General Fund	2,707,535	-	-	2,707,535
Special Revenue	-	2,054,632	7,909,022	9,963,654
Capital Projects	-	-	453,915	453,915
Permanent Funds	-	-	107,910	107,910
Total Fund Balance	4,713,032	3,375,702	9,259,825	17,348,559
Total Liabilities and Fund Balance	\$ 32,872,563	\$ 3,375,702	\$ 13,418,278	\$ 49,666,543

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 34,092,387	\$ -	\$ 703,132	\$ 34,795,519
State Receipts	17,039,259	-	-	17,039,259
Excise and Other Taxes	2,538,039	-	4,402	2,542,441
Licenses, Permits, Fees	8,708,570	-	-	8,708,570
Interest on Taxes	202,872	-	-	202,872
Interest on Investments	635,004	144,191	98,289	877,484
Net Change in Fair Value of Investments	-	-	21,576	21,576
Intergovernmental - "On-behalf" Payments	6,253,574	-	-	6,253,574
Additions	-	-	14,800	14,800
Grants and Fees	-	-	14,015,617	14,015,617
Total Revenues	69,469,705	144,191	14,857,816	84,471,712
Expenditures:				
Current:				
General Government	4,467,547	-	2,635,172	7,102,719
Public Safety	8,813,759	-	1,371,430	10,185,189
Public Works	2,755,248	-	1,823,419	4,578,667
Education	27,953,082	-	6,780,317	34,733,399
Health and Human Services	733,420	-	4,923,188	5,656,608
Culture and Recreation	1,629,854	-	1,208,436	2,838,290
Employee Benefits and Insurance	19,384,544	-	-	19,384,544
State Assessments	2,131,790	-	-	2,131,790
Debt Service:				
Principal	3,944,762	-	34,214	3,978,976
Interest	1,746,406	-	6,339	1,752,745
Total Expenditures	73,560,412	-	18,782,515	92,342,927
Excess of Revenues Over (Under) Expenditures	(4,090,707)	144,191	(3,924,699)	(7,871,215)
Other Financing Sources (Uses):				
Operating Transfers In	4,834,412	1,203,905	-	6,038,317
Operating Transfers Out	(1,203,905)	(1,132,000)	(1,035,269)	(3,371,174)
Capital Lease	147,073	-	-	147,073
Proceeds from Bonds	-	-	8,148,467	8,148,467
Total Other Financing Sources (Uses)	3,777,580	71,905	7,113,198	10,962,683
Net Change in Fund Balances	(313,127)	216,096	3,188,499	3,091,468
Fund Balances, Beginning of Year	5,026,159	3,159,606	6,071,326	14,257,091
Fund Balances, End of Year	\$ 4,713,032	\$ 3,375,702	\$ 9,259,825	\$ 17,348,559

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2007

Total Governmental Fund Balances	\$	17,348,559
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		69,386,026
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		28,897,568
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and Notes Payable	\$ (41,819,857)	
Compensated Absences	<u>(3,158,605)</u>	(44,978,462)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(450,078)</u>
Net Assets of Governmental Activities	\$	<u>70,203,613</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	3,091,468
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Outlay Purchases	\$ 8,664,039		
Depreciation	<u>(3,472,318)</u>		5,191,721

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue

(1,594,638)

The Issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt and Lease Principal	4,007,987		
Capital Lease Financing	(147,073)		
Proceeds from Bonds	<u>(8,148,467)</u>		(4,287,553)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(129,788)		
Net Change in Accrued Interest on Long-Term Debt	<u>(47,223)</u>		(177,011)

Change in Net Assets of Governmental Activities	\$	<u>2,223,987</u>
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The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 33,763,034	\$ 33,963,034	\$ 34,077,737	\$ -	\$ 114,703
State Receipts	16,939,318	16,939,318	17,039,259	-	99,941
Excise and Other Taxes	2,557,750	2,557,750	2,538,039	-	(19,711)
Licenses, Permits, Fees	8,426,487	8,426,487	8,708,570	-	282,083
Interest on Taxes	290,895	290,895	202,872	-	(88,023)
Interest on Investments	400,000	400,000	635,004	-	235,004
Total Revenues	62,377,484	62,577,484	63,201,481	-	623,997
Expenditures:					
Current:					
General Government	5,160,223	5,493,909	4,467,547	796,569	229,793
Public Safety	8,410,020	9,189,710	8,813,759	202,795	173,156
Public Works	2,837,331	3,096,876	2,755,248	266,687	74,941
Education	28,005,041	28,258,041	27,806,009	451,952	80
Health and Human Services	584,336	782,346	733,420	27,894	21,032
Culture and Recreation	1,733,516	1,786,348	1,629,854	143,500	12,994
Employee Benefits and Insurance	12,968,959	13,279,009	13,130,970	66,100	81,939
State Assessments	2,086,905	2,086,905	2,131,790	-	(44,885)
Debt Service:					
Principal	3,905,340	3,947,340	3,944,762	-	2,578
Interest	1,768,534	1,768,534	1,762,406	-	6,128
Total Expenditures	67,460,205	69,689,018	67,175,765	1,955,497	557,756
Excess of Revenues Over (Under) Expenditures	(5,082,721)	(7,111,534)	(3,974,284)	(1,955,497)	1,181,753
Other Financing Sources (Uses):					
Operating Transfers In (Out)	3,671,143	3,554,701	3,630,507	-	75,806
Total Other Financing Sources (Uses)	3,671,143	3,554,701	3,630,507	-	75,806
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,411,578)	(3,556,833)	(343,777)	(1,955,497)	1,257,559
Budgetary Fund Balance - Beginning of Year	5,148,969	5,148,969	5,148,969	-	-
Budgetary Fund Balance - End of Year	\$ 3,737,391	\$ 1,592,136	\$ 4,805,192	\$ (1,955,497)	\$ 1,257,559

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2007

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 63,201,481	\$ 67,175,765
Net Decrease in Revenue from Recording Refund Taxes Payable	(35,715)	
Recognition of intergovernmental Revenue - "on behalf payments"	6,253,574	
Recognition of Expenditures - "on behalf payments"		6,253,574
Net Decrease in Expenditures - Accrued Expenses		(16,000)
Capital Lease		147,073
Net Increase in Revenue from Recording 60-Day Receipts	50,365	
Reported on a GAAP Basis	<u>\$ 69,469,705</u>	<u>\$ 73,560,412</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2007**

Business-Type Activities Enterprise Funds				
	Sewer Fund	Water Fund	Solid Waste Fund	Total
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 2,026,558	\$ 7,908,949	\$ 2,097,399	\$ 12,032,906
Investments	-	-	2,716,270	2,716,270
User Charges, net of allowance for uncollectibles	420,802	339,079	566,952	1,326,833
Special Assessments	17,701	-	-	17,701
Due from Other Governments	-	4,112,542	-	4,112,542
Total current assets	2,465,061	12,360,570	5,380,621	20,206,252
NONCURRENT:				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	211,025	25,485,625	895,056	26,591,706
Depreciable	6,509,309	9,761,708	8,623,360	24,894,377
Total noncurrent assets	6,720,334	35,247,333	9,518,416	51,486,083
Total Assets	9,185,395	47,607,903	14,899,037	71,692,335
LIABILITIES				
CURRENT:				
Accounts Payable	114,727	1,079,842	93,112	1,287,681
Accrued Interest	31,687	93,365	21,252	146,304
Compensated Absences	49,620	33,431	15,346	98,397
Bonds Payable	315,244	1,693,494	242,000	2,250,738
Total current liabilities	511,278	2,900,132	371,710	3,783,120
NONCURRENT:				
Landfill Closure	-	-	893,997	893,997
Compensated Absences	31,109	18,230	8,127	57,466
Bonds Payable	2,978,921	30,735,250	1,723,000	35,437,171
Total noncurrent liabilities	3,010,030	30,753,480	2,625,124	36,388,634
Total Liabilities	3,521,308	33,653,612	2,996,834	40,171,754
NET ASSETS:				
Invested in Capital Assets, net of related debt	3,426,169	6,931,131	7,553,416	17,910,716
Unrestricted	2,237,918	7,023,160	4,348,787	13,609,865
Total Net Assets	\$ 5,664,087	\$ 13,954,291	\$ 11,902,203	\$ 31,520,581

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for Services	\$ 3,981,004	\$ 4,040,025	\$ 3,611,768	\$ 11,632,797
Other	98,088	63,526	25,901	187,515
Total Operating Revenues	4,079,092	4,103,551	3,637,669	11,820,312
Operating Expenses:				
Salaries & Wages	593,573	653,865	332,266	1,579,704
Operating Expenses	1,309,752	472,082	783,849	2,565,683
Depreciation	783,389	470,369	417,057	1,670,815
Total Operating Expenses	2,686,714	1,596,316	1,533,172	5,816,202
Operating Income (Loss)	1,392,378	2,507,235	2,104,497	6,004,110
Non-Operating Revenues (Expenses):				
Interest Income	107,277	409,637	228,020	744,934
Intergovernmental	-	162,482	-	162,482
Interest Expense	(161,713)	(400,687)	(97,955)	(660,355)
Total Non-Operating Revenues (Expenses)	(54,436)	171,432	130,065	247,061
Income (Loss) Before Operating Transfers	1,337,942	2,678,667	2,234,562	6,251,171
Operating Transfers:				
Transfers In (Out)	(1,324,980)	(560,363)	(781,800)	(2,667,143)
Total Operating Transfers	(1,324,980)	(560,363)	(781,800)	(2,667,143)
Change in Net Assets	12,962	2,118,304	1,452,762	3,584,028
Net Assets at Beginning of Year	5,651,125	11,835,987	10,449,441	27,936,553
Net Assets at End of Year	\$ 5,664,087	\$ 13,954,291	\$ 11,902,203	\$ 31,520,581

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	3,874,046	3,953,836	3,655,533	\$ 11,483,415
Receipts from Other Revenues	98,088	63,526	25,901	187,515
Payments to Vendors	(1,218,345)	(526,144)	(793,299)	(2,537,788)
Payments to Employees	(600,377)	(645,884)	(329,598)	(1,575,859)
Net Cash Provided by (Used for) Operating Activities	2,153,412	2,845,334	2,558,537	7,557,283
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(1,324,980)	(560,363)	(781,800)	(2,667,143)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,324,980)	(560,363)	(781,800)	(2,667,143)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the issuance of Bonds and Notes	-	15,911,815	-	15,911,815
Intergovernmental	-	162,482	-	162,482
Acquisition and Construction of Capital Assets	(332,210)	(16,280,852)	(291,904)	(16,904,966)
Principal Payments on Bonds and Notes	(311,565)	(639,097)	(713,500)	(1,664,162)
Interest Expense	(162,577)	(385,566)	(102,560)	(650,703)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(806,352)	(1,231,218)	(1,107,964)	(3,145,534)
Cash Flows from Investing Activities:				
Investment Income	107,277	409,637	228,020	744,934
Sale/(Purchase) of Investments	-	-	(2,716,270)	(2,716,270)
Net Cash Provided by (Used for) Investing Activities	107,277	409,637	(2,488,250)	(1,971,336)
Net Increase (Decrease) in Cash and Cash Equivalents	129,357	1,463,390	(1,819,477)	(226,730)
Cash and Cash Equivalents at Beginning of Year	1,897,201	6,445,559	3,916,876	12,259,636
Cash and Cash Equivalents at End of Year	\$ 2,026,558	\$ 7,908,949	\$ 2,097,399	\$ 12,032,906

**CITY OF NORTHAMPTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

Business-Type Activities Enterprise Funds				
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Income (Loss)	\$ 1,392,378	\$ 2,507,235	\$ 2,104,497	6,004,110
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	783,389	470,369	417,057	1,670,815
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	91,407	(54,062)	78,902	116,247
Increase (Decrease) in Compensated Absences	(6,804)	7,981	2,668	3,845
Increase (Decrease) in Landfill Closure	-	-	(88,352)	(88,352)
Decrease (Increase) in User Charges Receivable	(106,958)	(86,189)	43,765	(149,382)
Total Adjustments	761,034	338,099	454,040	1,553,173
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,153,412</u>	<u>\$ 2,845,334</u>	<u>\$ 2,558,537</u>	<u>\$ 7,557,283</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

	NORTHAMPTON		
	Employees Retirement System Pension Trust Fund		
	(as of December 31, 2006)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 655,917	\$ 15,571	\$ 194,855
Investments	64,753,167	963,723	-
Accrued Interest and Dividends	248,646	-	-
Accounts Receivable	852,369	-	1,191
Total Assets	66,510,099	979,294	196,046
LIABILITIES			
Warrants Payable	27,232	15,571	-
Due to Others	-	-	15
Due to Student Groups	-	-	126,585
Deposits and Escrows	-	-	69,446
Total Liabilities	27,232	15,571	196,046
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	\$ 66,482,867	\$ 963,723	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	NORTHAMPTON	
	Employees	
	Retirement	
	System Pension	
	Trust Fund	Private
	(as of December	Purpose
	31, 2006)	Trust Funds
Additions		
Contributions:		
Employers	\$ 3,555,145	\$ -
Plan Members	1,854,012	-
Transfers/Reimbursements from Other Systems	283,608	-
Federal Grant Reimbursements	33,069	-
Commonwealth of Massachusetts - COLA	155,148	-
Private Donations	-	279,189
Total Contributions	5,880,982	279,189
Investment Income:		
Interest & Dividends	2,331,637	62,409
Net Change in Fair Value of Investments	3,281,699	17,885
Total Investment Earnings	5,613,336	80,294
Less Investment Expense	(302,275)	-
Net Investment Earnings	5,311,061	80,294
Total Additions	11,192,043	359,483
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	5,500,294	-
Refunds to Members	274,224	-
Transfers to Other Systems	305,740	-
Educational Scholarships	-	15,347
Human Services	-	5,000
General Expenses	70,124	15,571
Total Deductions	6,150,382	35,918
Change in Net Assets	5,041,661	323,565
Net Assets at Beginning of Year	61,441,206	640,158
Net Assets at End of Year	\$ 66,482,867	\$ 963,723

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Northampton, Massachusetts is a municipality in which citizens elect the mayor, seven council members and two at-large council members.

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Northampton Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the City Housing Authority, employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 210 Main Street, Northampton, Massachusetts.

The City is responsible for electing the governing board and/or committee members of the Northampton Housing Authority. This related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond the City electing the board and/or committee members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

Northampton Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income elderly, handicap and families. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The City has no significant influence over management, budget or policies of the authority.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

The accompanying basic financial statements of the City of Northampton, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

The government reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

The *solid waste fund* is used to account for the integrated solid waste management program.

Additionally, the government reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Northampton Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

The *agency fund* is used to account for assets held in a purely custodial capacity.

The nonmajor governmental fund consists of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments in the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. All investments are carried at market value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Taxes in Litigation, Rollback Taxes, and Tax Liens

Property taxes are based on assessments as of January 1, 2006 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2007 on July 1, 2006 that were due on August 1, 2006 and November 1, 2006 and actual bills on December 29, 2006 that were due on February 1, 2007 and May 1, 2007.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2007 is \$34,438,253 consisting of a base of \$32,868,383 and a debt exclusion of \$1,569,870. The total amount raised by taxation was \$34,413,364.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the City, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the City is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User charges and fees consist of sewer, water and solid waste and are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and included as a lien on the property owner's tax bill. Water, sewer charges, solid waste and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental

Departmental receivables consist primarily of veterans services, school department fees, ambulance and other general government receipts.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consists of Title V septic betterments in the governmental funds and sewer betterments in the business-type funds.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Community Development Block Grant office administers loan programs that provide housing assistance to residents of the City and commercial loans to businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Prepaid Expenses

Prepaid expenses consists of health insurance premiums paid in advance.

H. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase of equipment in excess of \$15,000 and construction costs of in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and improvements	20-40
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net."

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

J. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Loans" represents community development outstanding loan receivable balances.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

"Federal and state grants" represents amounts restricted for by the federal and state government for various programs.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Perpetual Permanent Funds" represent amounts held in trust for which only investment earnings may be expended.

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The Town includes the following in the reserve:

Major Governmental Funds:

General fund:

Unreserved fund balance:

Free cash	\$ 50,000
Stabilization fund	1,321,070

Nonmajor Governmental Funds:

Municipal waterways fund	\$ 4,100	
Conservation wetlands fees	4,100	
Sale of cemetery lots	5,000	
Receipts reserved for the payment of debt	50,000	
Cemetery perpetual care fund	40,000	
Community preservation fund	8,172	
Parking meter reserves and passes	50,000	161,372
		<u>\$ 1,532,442</u>

L. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

The face amount of governmental funds long-term debt is reported as other financing sources.

M. Compensated Absences

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at 20% of their current rates of pay.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50%, 60% and 80% share for PPO plans and HMO plans, respectively, insurance premiums in the general fund in the fiscal year paid. There were approximately 627 participants eligible to receive benefits at June 30, 2007. The estimated cost is \$2,677,190.

O. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the City's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The City must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds. Supplemental appropriations may be made from available funds after the setting of the tax rate. Appropriations may be transferred between departments with the City Council approval.

The City follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Every board and committee in charge of a department shall annually, on the first day of December, send to the mayor and to the committee on finances an estimate in detail of the appropriations needed to enable the department to properly perform its duties.

Hearings are conducted and the Mayor then submits a budget to the City Council.

The budget is legally enacted by vote of the City Council prior to the end of the fiscal year.

Throughout the fiscal year, any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by City Council vote.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2007, the City incurred a final budget deficit of \$3,556,833 for the General Fund.

The City voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash	\$ 1,715,800
Overlay surplus	429,455
Prior year's encumbrances	1,414,525
Reserved for deficits	(2,947)
	<u>\$ 3,556,833</u>

B. Deficit Fund Equity

The following funds had deficits at June 30, 2007 as measured by the balances of unreserved fund balance.

- The disaster relief and hazard grants fund has a deficit of \$33,830. The deficit will be eliminated upon the future receipt of grant funds.
- The MTC solar project, a school project special revenue fund, has a deficit of \$989. The deficit will be eliminated upon the future receipt of funds.
- The privately funded grants fund, a school special revenue fund, has a deficit of \$13,960. The deficit will be eliminated upon the future receipt of funds.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

- The dog revolving fund has a deficit of \$3,459. The deficit will be eliminated upon the future receipt of funds.
- The fire outside duty account has a deficit of \$22,071. The deficit will be eliminated upon the future receipt of funds.
- The juvenile firesetter intervention program has a deficit of \$4,886. The deficit will be eliminated upon the future receipt of funds.
- The capital projects fund has various individual projects that are overdrawn for a total of \$148,690. These deficits will be eliminated upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – City Financials

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2007 were \$28,919,130. Of these, \$5,677,610 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Northampton Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2006 were \$844,387. None was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – City Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and notes proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2007, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. Government agencies	\$ 496,845	\$ -	\$ 496,845
Corporate bonds	149,702	-	149,702
Money market mutual funds	6,067,102	6,067,102	-
	6,713,649	\$ 6,067,102	\$ 646,547
Other Investments:			
Equity securities - Domestic	348,716		
Certificates of Deposits	460,279		
	<u>\$ 7,522,644</u>		

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$7,522,644 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no policy on custodial credit risk.

Interest Rate Risk

The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City's exposure to credit risk as of June 30, 2007 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings		
		Aaa	A3	Not Rated
Debt Securities:				
U. S. treasury obligations	\$ 496,845	\$ 496,845	\$ -	\$ -
Corporate bonds	149,702	-	149,702	-
Money market mutual fund	6,067,102	-	-	6,067,102
	<u>\$ 6,713,649</u>	<u>\$ 496,845</u>	<u>\$ 149,702</u>	<u>\$ 6,067,102</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Concentration of Credit Risk

The City places no limit on the amount the City may invest in one issuer. More than 5 percent of the City's investments are in the Federal Home Loan Bank amounting to 6.60% of the total City's investments.

Investment Policies – Northampton Contributory Retirement System City Financials

Under PERAC regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information.

Specific policies for investments of funds for the system are as follows:

- A. The assets shall be diversified among fixed income, equity, and short term investment and may include:
 - i. up to 3% of the total market value of the portfolio in limited partnerships, such as, but not limited to, venture capital investments;
 - ii. up to 8% of the total equity market value of the portfolio in foreign investments.
- B. The asset allocation of the portfolio shall lie within the range of 45%-65% common stock and 35%-55% fixed income as is permitted by an exemption issued to the Board.
- C. Equity investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
 - i. At least 75% of the market value of equity investments shall be in companies for which the market value of the outstanding shares is at least \$100 million at time of purchase.
 - ii. The investment in any one holding shall not exceed 5% of the total book value of equity investments at the time of purchase.
 - iii. All equity investments, including ADRs as permitted by an exemption issued to the Board, must be in securities traded on a major exchange or on the NASDAQ.
 - iv. The beta (a measure of equity volatility) shall average no more than 1.15 annually.
 - v. No investment shall be made in a company with less than a five year operating history.
 - vi. The holdings within the equity portfolio shall be diversified such that:
 - a. the equity portfolio shall consist of no fewer than 25 holdings;
 - b. no single industry shall account for more than 20% of the total market value;
 - c. at no time shall small capitalization stocks represent less than 10% of the total equity market value nor more than 50%.

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- vii. Recognizing that equity turnover may vary with market conditions and the specific characteristics of individual issues, turnover shall be targeted at no more than 150% per year.
- D. Fixed income investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
 - i. At least 65% of the market value of the fixed income portfolio shall be in holdings rated no less than A or equivalent.
 - ii. No more than 5% of the portfolio shall have a rating less than investment grade, and no bond shall be below a rating of B. Split-rated bonds, i.e. bonds rated investment grade by at least one agency but rated below investment grade by another, are included in this 5%.
 - iii. No holding shall be purchased unless there is at least \$50 million par of the issue outstanding at the time of purchase.
 - iv. No more than 5% of the total market value of the portfolio shall be invested in the direct (as opposed to asset-backed or mortgage-backed) debt obligations of any one fixed income issuer except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit. The investment Manager may exceed that level, up to a maximum of 10%, however, if he or she feels it is prudent to do so as long as the Investment Manager promptly advises the Secretary to the Board of the situation so that the Board may review the investment at its next meeting.
 - v. Fixed income holdings which are downgraded below BBB or Baa shall be sold within one year of the downgrading unless the exemption issued to the Board permits retention.
 - vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
 - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
 - viii. The holdings within the fixed income portfolio shall be diversified such that:
 - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
 - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
 - c. the fixed income portfolio will consist of no fewer than 20 holdings
 - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of June 30, 2007, the System had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10 Years
Debt Securities:					
U. S. Treasury obligations	\$ 4,338,029	\$ -	\$ 402,752	\$ 2,971,224	\$ 964,053
U. S. Government agencies	5,347,461	401,924	2,416,251	996,033	1,533,253
Corporate debt	12,757,269	51,100	4,821,777	5,002,023	2,882,369
Money market mutual funds	1,992,440	1,992,440	-	-	-
	24,435,199	\$ 2,445,464	\$ 7,640,780	\$ 8,969,280	\$ 5,379,675
Other Investments:					
Equity securities - Domestic	38,748,880				
Equity mutual funds	1,569,088				
	\$ 64,753,167				

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$64,753,167 in investments, \$60,691,639 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services

The System's exposure to credit risk as of June 30, 2007 is as follows:

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Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
AAA	\$ 4,338,029
<i>U. S. Government Agencies:</i>	
AAA	5,347,461
<i>Corporate Debt:</i>	
AAA	704,354
AA2	853,031
AA3	720,049
A1	1,650,204
A2	652,142
A3	1,745,627
BAA1	1,356,110
BAA2	1,865,583
BAA3	1,051,155
BA1	464,013
BA2	257,500
Not rated	1,437,501
<i>Money Market Mutual Funds:</i>	
Not rated	1,992,440
	<u>\$ 24,435,199</u>

Concentration of Credit Risk

The System may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. There are no qualified investments that are more than 5 percent.

B. Receivables

At June 30, 2007, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 1,026,590	\$ (265,813)	\$ 760,777
Deferred property taxes	130,303	-	130,303
Taxes in litigation	6,794	-	6,794
Rollback taxes	1,580	-	1,580
Tax liens	519,739	-	519,739
Excise taxes and other taxes	944,569	(619,682)	324,887
Departmental	533,195	(76,095)	457,100
Special assessments	17,236	-	17,236
Loans	212,731	-	212,731
Due from other governments	27,881,892	-	27,881,892
Fiduciary funds:			
Agency funds - Deputy Tax Collector	1,191	-	1,191
<i>Employees Retirement System (as of December 31, 2006)</i>			
Accounts receivable	852,369	-	852,369
	<u>\$ 32,128,189</u>	<u>\$ (961,590)</u>	<u>\$ 31,166,599</u>

At June 30, 2007, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 578,652	\$ (157,850)	\$ 420,802
Special assessments	17,701	-	17,701
Water Fund:			
User charges	359,144	(20,065)	339,079
Solid Waste Fund:			
User charges	691,952	(125,000)	566,952
	<u>\$ 1,647,449</u>	<u>\$ (302,915)</u>	<u>\$ 1,344,534</u>

The composition of amounts due from other governments as of June 30, 2007 for governmental funds is as follows:

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General Fund:

Commonwealth of Massachusetts:

School Building Authority - School Building Assistance

Capital portion \$ 23,849,323

Various Towns -

Smith Vocational High School Tuitions

682,219 \$ 24,531,542

Nonmajor Governmental Funds:

U. S. Department of Housing and Urban Development:

Community Development Block Grant

\$ 505,003

Supportive Housing Program

976,174

Economic Development

20,225

U. S. Department of Education -

School Title Grants

70,225

U. S. Department of the Interior -

Land and Water Conservation Grant

96,005

Commonwealth of Massachusetts -

Department of Education - School Grants

248

Massachusetts Cultural Council

1,600

Massachusetts Highway Department

1,679,782

Vendor

1,088

3,350,350

\$ 27,881,892

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2007 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$593,753.

The various components of the other deferred revenue reported in the governmental funds were as follows:

General Fund:

Deferred property taxes \$ 130,303

Taxes in litigation 6,794

Rollback taxes 1,580

Tax Liens 519,739

Excise Taxes 324,887

Departmental 304,165

Due from other governments 23,849,323 \$ 25,136,791

Nonmajor Governmental Funds:

Community preservation surcharge \$ 11,084

Departmental 152,935

Special assessments 17,236

Loans 212,731

Due from other governments 2,773,038 3,167,024

\$ 28,303,815

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C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,719,477	\$ 1,074,910	\$ -	\$ 9,794,387
Construction in progress	2,174,720	4,973,198	(1,571,988)	5,575,930
Total capital assets not being depreciated	10,894,197	6,048,108	(1,571,988)	15,370,317
Capital assets being depreciated:				
Buildings and improvements	84,460,372	1,455,753	-	85,916,125
Machinery, equipment and other	7,251,694	1,606,204	-	8,857,898
Infrastructure	13,241,413	1,125,962	-	14,367,375
Total capital assets being depreciated	104,953,479	4,187,919	-	109,141,398
Less accumulated depreciation for:				
Buildings	34,799,723	2,645,590	-	37,445,313
Machinery, equipment and other	4,812,906	699,018	-	5,511,924
Infrastructure	12,040,742	127,710	-	12,168,452
Total accumulated depreciation	51,653,371	3,472,318	-	55,125,689
Total capital assets being depreciated, net	53,300,108	715,601	-	54,015,709
Total governmental activities capital assets, net	\$ 64,194,305	\$ 6,763,709	\$ (1,571,988)	\$ 69,386,026

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,928,050	\$ -	\$ -	\$ 1,928,050
Construction in progress	8,150,666	17,298,300	(785,310)	24,663,656
Total capital assets not being depreciated	10,078,716	17,298,300	(785,310)	26,591,706
Capital assets being depreciated:				
Building and Renovations	20,614,782	62,907	-	20,677,689
Machinery, equipment and other	1,622,550	397,407	-	2,019,957
Infrastructure	41,431,989	929,044	-	42,361,033
Total capital assets being depreciated	63,669,321	1,389,358	-	65,058,679
Less accumulated depreciation for:				
Building and Renovations	11,395,765	584,820	-	11,980,585
Machinery, equipment and other	964,037	196,454	-	1,160,491
Infrastructure	26,133,685	889,541	-	27,023,226
Total accumulated depreciation	38,493,487	1,670,815	-	40,164,302
Total capital assets being depreciated, net	25,175,834	(281,457)	-	24,894,377
Total business-type activities capital assets, net	\$ 35,254,550	\$ 17,016,843	\$ (785,310)	\$ 51,486,083

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 364,025
Public safety	538,988
Public works	267,242
Education	2,209,392
Health and human services	4,036
Culture and recreation	88,635
Total depreciation expense - governmental activities	<u>\$ 3,472,318</u>

Business-Type Activities:

Sewer fund	\$ 783,389
Water fund	470,369
Solid waste fund	417,057
Total depreciation expense - business-type activities	<u>\$ 1,670,815</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Stabilization Fund	Total
General fund	\$ -	\$ 1,203,905	\$ 1,203,905
Stabilization fund	1,132,000	-	1,132,000
Nonmajor governmental funds	1,035,269	-	1,035,269
Business-type activities	2,667,143	-	2,667,143
Total transfers out	<u>\$ 4,834,412</u>	<u>\$ 1,203,905</u>	<u>\$ 6,038,317</u>

E. Lease

The City has entered into lease agreements as lessee for financing the acquisition of an ambulance and school department computer equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follow:

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	Governmental Activities
Assets:	
Machinery, equipment and other	\$ 271,683
Less: Accumulated Depreciation	<u>(61,895)</u>
Total	<u><u>209,788</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, are as follows:

Year Ending June 30,	Governmental Activities
2008	\$ 74,113
2009	74,114
2010	<u>74,114</u>
Total minimum lease payments	\$ 222,341
Less: amount representing interest	<u>(19,126)</u>
Present value of minimum lease payments	<u><u>\$ 203,215</u></u>

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the City is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental and business-type activities are as follows:

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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2007
Governmental Activities:						
Bond Anticipation Notes:						
Parking	3.83%	03/28/07	\$ 135,000	\$ -	\$ 135,000	\$ -
Forbes library	3.83%	03/28/07	455,000	-	455,000	-
Smith Vocational School	3.83%	03/28/07	100,000	-	100,000	-
Library remodeling	3.68%	03/28/07	278,438	-	278,438	-
DPW garage roof	3.68%	03/28/07	125,000	-	125,000	-
Drainage for Crescent Street	3.68%	03/28/07	160,000	-	160,000	-
Salt shed construction	3.68%	03/28/07	73,600	-	73,600	-
School repaving - Ryan Road	3.68%	03/28/07	100,000	-	100,000	-
School repaving - Smith Vocational	3.68%	03/28/07	100,000	-	100,000	-
Computers - Smith Vocational	3.68%	03/28/07	50,000	-	50,000	-
Library remodeling	3.76%	03/28/07	105,000	-	105,000	-
Drainage for Crescent Street	3.76%	03/28/07	50,000	-	50,000	-
Salt shed construction	3.76%	03/28/07	100,000	-	100,000	-
School HVAC - Jackson Street	3.76%	03/28/07	70,000	-	70,000	-
Front end loader	3.76%	03/28/07	120,000	-	120,000	-
Computers - Smith Vocational	3.76%	03/28/07	50,000	-	50,000	-
Senior center	3.76%	03/28/07	500,000	-	500,000	-
Library remodeling	3.80%	03/28/07	145,000	-	145,000	-
Drainage for Crescent Street	3.80%	03/28/07	80,000	-	80,000	-
School HVAC - Jackson Street	3.80%	03/28/07	70,000	-	70,000	-
Police vehicle	3.80%	03/28/07	29,000	-	29,000	-
Police closed circuit TV	3.80%	03/28/07	49,500	-	49,500	-
Remodeling roof - Smith Vocational	3.80%	03/28/07	60,000	-	60,000	-
DPW infield grooming machine	3.80%	03/28/07	13,000	-	13,000	-
Cafeteria system	3.80%	03/28/07	30,000	-	30,000	-
Senior center	3.80%	03/28/07	500,000	-	500,000	-
Drainage for Crescent Street	3.68%	03/28/07	-	190,000	190,000	-
Shop remodeling - Smith Vocational	3.68%	03/28/07	-	90,000	90,000	-
School energy conservation	3.68%	03/28/07	-	60,000	60,000	-
Fire engine	3.68%	03/28/07	-	200,000	200,000	-
Senior center	3.68%	03/28/07	-	350,000	350,000	-
School repaving - Smith Vocational	3.80%	03/28/07	-	100,000	100,000	-
Fire engine	3.80%	03/28/07	-	178,500	178,500	-
Senior center	3.80%	03/28/07	-	1,500,000	1,500,000	-
Roads and sidewalks	3.80%	03/28/07	-	100,000	100,000	-
Computers - Smith Vocational	3.80%	03/28/07	-	100,000	100,000	-
Jackson Street school boiler	3.88%	06/20/08	-	82,000	-	82,000
Police vehicle	3.88%	06/20/08	-	85,000	-	85,000
Ryan Road bridge	3.88%	06/20/08	-	125,000	-	125,000
Computers - Smith Vocational	3.88%	06/20/08	-	50,000	-	50,000
			<u>\$ 3,548,538</u>	<u>\$ 3,210,500</u>	<u>\$ 6,417,038</u>	<u>\$ 342,000</u>

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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2007
Business-Type Activities:						
<i>Bond Anticipation Notes:</i>						
<i>Solid Waste Fund:</i>						
Landfill	3.83%	03/28/07	\$ 150,000	\$ -	\$ 150,000	\$ -
<i>Water Fund:</i>						
Massachusetts Water Pollution Abatement Trust	1.63%	12/31/06	6,929,639	-	6,929,639	-
Total Business-type Activities			<u>\$ 7,079,639</u>	<u>\$ -</u>	<u>\$ 7,079,639</u>	<u>\$ -</u>

G. Long Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2007
Inside Debt:					
Fire station	5.0-5.75%	10/15/99	10/15/18	\$ 5,031,000	\$ 825,000
Library building remodeling	3.40%	10/15/02	09/01/19	\$ 830,000	594,000
Building construction	3.40%	10/15/02	09/01/07	\$ 135,800	29,622
Library	4.25%	01/19/05	01/19/12	\$ 350,000	250,000
Land acquisition	Various	11/15/04	10/15/23	\$ 72,000	56,000
Building remodeling - school	Various	11/15/04	10/15/23	\$ 767,000	679,000
Building remodeling - Feiker school	Various	11/15/04	10/15/23	\$ 145,000	87,000
Forbes library	Various	11/15/04	10/15/23	\$ 35,000	25,000
Repairs to city buildings	Various	11/15/04	10/15/23	\$ 40,000	30,000
Aerial ladder fire truck	Various	11/15/04	10/15/23	\$ 720,500	570,000
Departmental equipment - school	Various	11/15/04	10/15/23	\$ 37,000	17,000
Recreation facilities	Various	11/15/04	10/15/23	\$ 45,000	35,000
Municipal Purpose Loan of 2007:					
Departmental equipment	3.75-4.0%	03/15/07	03/15/12	\$ 769,500	769,500
Ryan Road/SVHS parking repaving	3.75-4.0%	03/15/07	03/15/12	\$ 425,000	425,000
Ridgewood Terrace sidewalks	3.75-4.0%	03/15/07	03/15/12	\$ 71,600	71,600
School energy	3.75-4.0%	03/15/07	03/15/16	\$ 60,000	60,000
SVHS shop computers	3.75-4.0%	03/15/07	03/15/16	\$ 300,000	300,000
Ridgewood Terrace roads	3.75-4.0%	03/15/07	03/15/16	\$ 173,400	173,400
Veteran's field skatepark	3.75-4.0%	03/15/07	03/15/22	\$ 140,000	140,000
Senior center	3.75-4.0%	03/15/07	03/15/26	\$ 3,910,000	3,910,000
Forbes library remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 982,900	982,900
Schools and DPW garage remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 415,000	415,000
DPW salt/sand shed	3.75-4.0%	03/15/07	03/15/26	\$ 173,600	173,600
Storm and surface drains	3.75-4.0%	03/15/07	03/15/26	\$ 602,000	602,000
Refinanced:					
Police land acquisition	Various	11/15/04	10/15/18	\$ 229,000	195,000
Land acquisition - Gerogianna	Various	11/15/04	10/15/18	\$ 76,000	76,000
Storm and surface drains	Various	11/15/04	10/15/18	\$ 40,000	40,000
Fire station	Various	11/15/04	10/15/18	\$ 2,325,000	2,315,000
Lilly Library - Additional expansion	4.75%	03/15/06	03/15/12	\$ 73,000	60,000
Massachusetts Water Pollution Abatement Trust:					
Title V Community Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	62,555
Total Inside Debt					<u>13,969,177</u>
Outside Debt:					
High school remodeling	5.17%	10/15/00	06/15/20	\$ 21,610,000	3,240,000
High school roof replacement	3.40%	10/15/02	09/01/17	\$ 400,000	292,000
High school remodeling	3.40%	10/15/02	09/01/19	\$ 5,565,000	4,269,000
School project	3.40%	10/15/02	09/01/09	\$ 3,112,008	1,442,465
School project	3.40%	10/15/02	09/01/09	\$ 1,967,701	810,000
Refinanced:					
School project	Various	11/15/04	10/15/19	\$ 18,508,000	17,594,000
Total Outside Debt					<u>27,647,465</u>
Total Governmental Type Debt					<u>\$ 41,616,642</u>

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General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2007
Inside Debt:					
Sewer:					
Sewer	5.0%-5.8%	10/15/99	10/15/19	\$ 3,865,000	\$ 585,000
Sewer	3.40%	10/15/02	09/01/09	\$ 370,129	193,165
Refinanced:					
Sewer	Various	11/15/04	10/15/19	\$ 2,539,000	2,516,000
Solid Waste:					
Landfill Planning	3.75-4.00%	03/15/07	03/15/16	\$ 150,000	150,000
Total Inside Debt					<u>3,444,165</u>
Outside Debt:					
Water:					
Water Mains	5.0%-5.8%	10/15/99	10/15/19	\$ 970,000	150,000
Water Improvement	3.40%	10/15/02	09/01/09	\$ 566,989	289,748
Water Filtration Plant	Various	11/15/04	10/15/24	\$ 1,000,000	901,000
Route 66 Water Mains	Various	11/15/04	10/15/24	\$ 775,000	695,000
Water	3.75-4.00%	03/15/07	03/15/26	\$ 1,100,000	1,100,000
Massachusetts Water Pollution Abatement Trust:					
Water Filtration Plant	2.00%	02/01/07	08/01/24	\$ 2,241,713	2,241,713
Water Filtration Plant	2.00%	12/14/06	07/15/26	\$ 9,612,283	9,612,283
Water Filtration Plant	2.00%	12/14/06	07/15/26	\$ 14,000,000	14,000,000
Refinanced:					
Water	Various	11/15/04	10/15/19	\$ 3,814,000	3,439,000
					<u>32,428,744</u>
Solid Waste:					
Refinanced:					
Landfill	Various	11/15/04	10/15/16	\$ 1,829,000	1,815,000
					<u>1,815,000</u>
Total Outside Debt					<u>\$ 34,243,744</u>
Total Business Type Debt					<u>\$ 37,687,909</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

Governmental Type Activities

Year	Principal	Interest	Total
2008	\$ 4,454,104	\$ 1,787,764	\$ 6,241,868
2009	4,368,998	1,610,033	5,979,031
2010	4,212,625	1,433,522	5,646,147
2011	3,494,214	1,253,378	4,747,592
2012	3,247,214	1,109,400	4,356,614
2013-2017	13,827,063	3,404,172	17,231,235
2018-2022	6,724,424	795,272	7,519,696
2023-2026	1,288,000	123,284	1,411,284
	<u>\$ 41,616,642</u>	<u>\$ 11,516,825</u>	<u>\$ 53,133,467</u>

Business-Type Activities

Year	Principal	Interest	Total
2008	\$ 2,250,738	\$ 1,022,972	\$ 3,273,710
2009	2,311,197	992,114	3,303,311
2010	2,330,191	920,884	3,251,075
2011	2,121,705	854,028	2,975,733
2012	2,147,258	787,152	2,934,410
2013-2017	10,425,194	2,850,755	13,275,949
2018-2022	8,304,902	1,410,840	9,715,742
2023-2027	7,796,724	410,555	8,207,279
	<u>\$ 37,687,909</u>	<u>\$ 9,249,300</u>	<u>\$ 46,937,209</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$37,339,925	\$ 8,023,000	\$ 3,808,838	\$ 41,554,087	\$ 4,448,890
Massachusetts Water Pollution Abatement Trust bonds	67,769	-	5,214	62,555	5,214
Lease payable	124,610	147,073	68,468	203,215	64,693
Compensated absences	3,028,817	291,619	161,831	3,158,605	1,061,272
Governmental activity Long-term liabilities	<u>\$40,561,121</u>	<u>\$ 8,461,692</u>	<u>\$ 4,044,351</u>	<u>\$ 44,978,462</u>	<u>\$ 5,580,069</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$12,248,074	\$ 1,250,000	\$ 1,664,161	\$ 11,833,913	\$ 1,226,109
Massachusetts Water Pollution Abatement Trust bonds	-	25,853,996	-	25,853,996	1,024,629
Compensated absences	152,018	10,649	6,804	155,863	98,397
Business-type activity long term Long-term liabilities	<u>\$12,400,092</u>	<u>\$27,114,645</u>	<u>\$ 1,670,965</u>	<u>\$ 37,843,772</u>	<u>\$ 2,349,135</u>

Advance Refunding

On November 15, 2004, the City advance refunded a general obligation bond issue with a general obligation refunding note. Of this issue, the City issued \$29,360,000 of general obligation refunding bonds to refund 1995 bonds in the aggregate principal amount of \$3,250,000, the 1996 bonds in the aggregate principal amount of \$6,985,000, the 1997 bonds in the aggregate principal amount of \$2,895,000, the 1999 bonds in the aggregate principal amount of \$4,685,000 and the 2000 bonds in the aggregate principal amount of \$10,800,000 and together with the 1995 refunded bonds, the 1996 refunded bonds, the 1997 refunded bonds and the 1999 refunded bonds. The refunded bonds achieved a total savings of approximately 56.63% or \$1,890,061. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt and the business-type debt.

U. S. Bank National Association (the "escrow agent") has established a irrevocable trust fund designated the City of Northampton, Massachusetts Refunding Escrow Fund and moneys in the amount of \$31,453,283 have been set aside in the trust. The moneys in the refunding trust and any investments held as part of such fund shall be held in trust for the benefit of the owners of the refunded bonds and shall be applied by the Escrow Agent solely to the payment of the redemption price of and interest of the refunded bonds. These moneys will be used to purchase government obligations.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

The balance, at market, of the refunding trust agreement at June 30, 2007 is \$15,922,111.

Massachusetts Water Pollution Abatement Trust

The City has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust). The City currently has four loans as follows:

- a gross obligation of \$138,396 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$44,559 resulting in a net loan repayment of \$93,837.
- a gross obligation of \$3,287,701 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$667,226 resulting in a net loan repayment of \$2,620,475.
- a gross obligation of \$11,682,133 representing the gross principal and interest repayments amounts.
- a gross obligation of \$16,933,765 representing the gross principal and interest repayments amounts.

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

No. 97-1050					Less: Loan	Net
	Principal	Interest	Total	Subsidy	Amount	Loan
						Repayments
Initial Loan						
Obligation	\$ 93,837	\$ 44,559	\$ 138,396	\$ 44,559	\$ 93,837	
Repayments:						
Fiscal Year 2001	-	1,114	1,114	1,114	-	
Fiscal Year 2002	5,213	4,073	9,286	4,073	5,213	
Fiscal Year 2003	5,214	3,864	9,078	3,864	5,214	
Fiscal Year 2004	5,214	3,656	8,870	3,656	5,214	
Fiscal Year 2005	5,214	3,477	8,691	3,477	5,214	
Fiscal Year 2006	5,213	3,239	8,452	3,239	5,213	
Fiscal Year 2007	5,214	3,004	8,218	3,004	5,214	
	<u>\$ 62,555</u>	<u>\$ 22,132</u>	<u>\$ 84,687</u>	<u>\$ 22,132</u>	<u>\$ 62,555</u>	

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

No. DW-04-05A

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan					
Obligation	\$ 2,241,713	\$ 1,045,987	\$ 3,287,700	\$ 667,226	\$ 2,620,474
Repayments:					
2007	-	28,309	28,309	16,478	11,831
	<u>\$ 2,241,713</u>	<u>\$ 1,017,678</u>	<u>\$ 3,259,391</u>	<u>\$ 650,748</u>	<u>\$ 2,608,643</u>

No. DW-04-05

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan					
Obligation	\$ 9,612,283	\$ 2,069,850	\$ 11,682,133	\$ -	\$ 11,682,133
Repayments:					
None	-	-	-	-	-
	<u>\$ 9,612,283</u>	<u>\$ 2,069,850</u>	<u>\$ 11,682,133</u>	<u>\$ -</u>	<u>\$ 11,682,133</u>

No. DW-05-18

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan					
Obligation	\$ 14,000,000	\$ 2,933,765	\$ 16,933,765	\$ -	\$ 16,933,765
Repayments:					
None	-	-	-	-	-
	<u>\$ 14,000,000</u>	<u>\$ 2,933,765</u>	<u>\$ 16,933,765</u>	<u>\$ -</u>	<u>\$ 16,933,765</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 2 1/2 percent of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The City's inside debt at June 30, 2007, totaled \$17,413,342.

In addition, the City is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2007:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Equalized Valuation-Real Estate and Personal Property (2006)		\$ 2,974,992,300
Debt Limit: 2.5 % of Equalized value		\$ 74,374,808
Total Debt Outstanding		
Governmental Activity Debt	\$ 41,616,642	
Less: Debt Outside Debt Limit	27,647,465	\$ 13,969,177
Business-Type Activity Debt	\$ 37,687,909	
Less: Debt Outside Debt Limit	34,243,744	3,444,165
		\$ 17,413,342
Inside Debt Excess Borrowing Capacity at June 30, 2007		\$ 56,961,466

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or City Council votes to rescind the authorized debt.

The loan authorizations of the governmental activities as of June 30, 2007, which are not reflected in the City's financial statements are as follows:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
Authorized		
04/07/05	City Departmental Equipment and Vehicles	\$ 90,000
10/06/05	Energy Conservation and Alternative Energy Improvements to School Department Buildings	70,000
11/03/05	Construction of a Senior Center	17,500
11/16/06	Extraordinary repairs to three schools as follows:	
	Jackson Street clock and public address system	50,000
	Bridge Street clock and public address system	50,000
	Smith Vocational High School fire alarm upgrade	40,000
	Smith Vocational High School thermostat replacement	40,000
11/16/06	Pavement resurfacing and sidewalk construction	180,000
11/16/06	Police vehicle replacements	85,000
11/16/06	Drainage construction and reconstruction	350,000
11/16/06	Ryan Road bridge reconstruction	125,000
11/16/06	Extraordinary repairs to the Jackson Street boilers	82,000
07/06/07	Extraordinary repairs to the Jackson Street boilers	25,000
		<u>\$ 1,204,500</u>

The loan authorizations of the business-type activities as of June 30, 2007, which are not reflected in the City's financial statements are as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
Solid Waste Fund:		
06/03/04	Extraordinary Repairs to the Landfill	\$ 225,000
10/06/05	Engineering and Permitting Services for the Landfill	275,000
10/06/05	Engineering and Permitting Services for the Landfill	300,000
		<u>\$ 800,000</u>

H. Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the City may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the City and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a City by the City Council for any lawful purpose. At June 30, 2007, \$3,375,702 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. City Council Votes - Fiscal Year 2008

The financial statements of the City of Northampton as of June 30, 2007 do not reflect the fiscal year 2008 budget approved by the City Council on June 21, 2007, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures and Reserved Retained Earnings as described below. The City Council has authorized a fiscal year 2008 operating and capital budget as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Governmental Funds:

<i>From Tax Levy</i>	\$ 61,705,711
<i>From Parking Meter Receipts</i>	1,235,453
<i>From Community Preservation Funds</i>	1,370,000
<i>From Business-Type Funds:</i>	
Sewer fund receipts	1,388,264
Water fund receipts	590,844
Solid waste fund receipts	794,612

From Other Available Funds:

Major Funds:

Designated for Subsequent Years' Expenditures:

General fund -	
Unreserved fund balance (Free cash)	50,000
Stabilization fund	1,321,070

Nonmajor Governmental Funds:

Designated for Subsequent Years' Expenditures:

Sale of cemetery lots	5,000
Cemetery perpetual care funds	40,000
Conservation wetlands fees	4,100
Municipal waterways fund	4,100
Community preservation fund	8,172
Parking meter reserves and passes	50,000
Receipts reserved for payment of debt	50,000
	<u>\$ 68,617,326</u>

Business Type-Funds:

From sewer receipts	\$ 3,972,921
From sewer capital reserves	352,000
	<u>\$ 4,324,921</u>
 From water receipts	 \$ 4,428,171
From water capital reserves	500,000
From water retained earnings	1,558,441
	<u>\$ 6,486,612</u>
 From solid waste receipts	 <u>\$ 3,173,278</u>

C. Contingent Liabilities

Litigation

Various cases are pending against the City at June 30, 2007. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Federal Financial Assistance

The City receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the City.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the City.

D. Landfill Closure and Postclosure Cost - Northampton Regional Sanitary Landfill

The City of Northampton operates and owns a landfill. The City landfill is operating under a permit dated January 11, 1994 issued by the Commonwealth of Massachusetts Department of Environmental Protection. The permit is an authorization to operate the Phase 2 Expansion of the landfill. Phase 3 has begun to be constructed with the City providing authorization to borrow in the amount of \$3,680,000. The estimated useful life of the facility is 13.4 years from the date of the permit at an estimated filling rate of 110 tons a day.

The City received a grant in the amount of \$5,656,912 from the Commonwealth of Massachusetts for Phase 1 and Phase 2 of the construction of the landfill. The total cost of Phases 1, 2 and 3 was \$11,187,743 including City funds. Sixty percent of the grant is a no interest loan with repayment of the loan to begin no later than one year after completion of the construction of the facility at a quarterly payment of \$94,281.86.

The City completed Phase 4 in fiscal year 2003. The final cost of phase 4 was \$1,600,000.

In fiscal year 2004, the capping of cell 1 was completed. A contract in the amount of \$734,810 had been awarded for the construction of Phase 4.

As a requirement of the grant the City must make the following financial assurances:

Operational Fund - The City shall provide adequate financial assurances to ensure that adequate funds will be available to maintain and operate the facility on a day-to-day basis through the use of an operational fund.

Closure Fund - The City must establish a "landfill closure fund" to be funded through a phased-in schedule as follows:

Fiscal Years 1991 - 1993	\$50,000 per year
Fiscal Years 1994 - 1995	\$75,000 per year
Fiscal Year 1996	\$100,000 per year
Fiscal Years 1997 - 2003	\$125,000 per year

On June 30, 2007 the landfill closure fund is maintained in the solid waste business-type fund in the amount of \$2,716,270 of which the balance consists of \$3,819,559 in

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

appropriated amounts; \$1,260,992 from the solid waste enterprise fund, \$68,959 in expenditures; \$2,810,000 in transfers out and \$514,678 in interest earnings.

The City has reflected \$893,997 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2007, in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Pension Plan

Plan Description

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Northampton Contributory Retirement Board. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$6,253,574 for the fiscal year ending June 30, 2007, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Northampton Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 210 Main Street, City Hall, Northampton, Massachusetts.

At December 31, 2006, the System's membership consists of the following:

Active Members	674
Inactive Members	62
Retired Members, Beneficiaries and Survivors	331
	<u>1,067</u>

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute 96% of the total. Chapter 32B of the Massachusetts General Laws governs the contributions of plan members and the City.

The City's contribution to the System for the fiscal years ended June 30, 2007, 2006 and 2005 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	City's Contribution
2007	\$ 3,409,475
2006	3,294,187
2005	2,992,234

The following schedules are presented in accordance with the GASB No. 25.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/05	\$ 56,569	\$ 90,828	\$ 34,259	62%	\$ 18,120	189%
01/01/03	\$ 51,244	\$ 83,270	\$ 32,026	62%	\$ 18,226	176%
01/01/00	\$ 48,306	\$ 63,748	\$ 15,442	76%	\$ 15,833	98%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. The last actuarial valuation was prepared by the Stone Consulting, Inc. as of January 1, 2005. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 % a year compounded annually, (b) projected salary, including longevity, increases of 4.50% a year per member.

Reporting Policies

The funds of the Northampton Employees Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2007

	Fund Balances July 1, 2006	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2007
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 570,882	\$ 2,718,311	\$ 2,845,984	\$ -	\$ 443,209
Academy of Music Renovations Grants	11,228	-	-	-	11,228
Arts Lottery Council Grants	10,773	32,460	42,853	-	380
Community Development Grants	9,309	2,616,767	2,616,796	-	9,280
Council on Aging Grants	54,753	36,400	63,181	-	27,972
DHCD Priority Development Fund	12,058	9,932	7,275	-	14,715
Disaster Relief and Hazard Grants	23,361	-	57,191	-	(33,830)
Highway Grants	105	1,144,580	1,144,581	-	104
Library Grants	135,077	262,963	397,389	-	651
National Park Service Grant	-	96,004	96,004	-	-
Other Programs and Grants	36,157	50,000	17,426	-	68,731
Public Safety Grants	144,489	227,722	262,490	-	109,721
Rail Trail Grants	55,218	4,100	1,600	-	57,718
Recycling Grants	5,818	37,500	8,231	-	35,087
Schools:					
School Lunch Revolving	130,962	822,816	935,831	49,725	67,672
School Lunch Commodities	-	33,871	33,871	-	-
Revolving Accounts	471,397	630,938	678,552	(49,725)	374,058
School Choice	1,873,498	1,212,709	1,040,273	-	2,045,934
E-Rate Telecommunications Reimbursements	15,559	38,534	19,961	-	34,132
Grant Indirect Expenses	76,641	33,758	32,633	-	77,766
MTC Solar Project	47,950	45,000	93,939	-	(989)
Privately Funded Grants	2,412	43,470	59,842	-	(13,960)
State Special Education Reimbursement Fund	269,316	571,658	400,000	-	440,974
Other:					
Accrued Interest and Premiums on Loans	-	69,277	55,114	(14,163)	-
Ambulance Fund	191,177	478,100	-	(385,800)	283,477
Athletic Leagues Revolving Fund	126,869	174,025	170,339	-	130,555
Cable Access Studio	125,000	81,440	202,015	-	4,425
Comcast Internet Equipment	10,000	-	-	-	10,000
Community Preservation Fund	-	724,948	-	-	724,948
Compost Revolving Fund	20	-	-	-	20
Connecticut River Channel Markers	10,036	19,128	12,983	-	16,181
Total Page 64	\$ 4,420,065	\$ 12,216,411	\$ 11,296,354	\$ (399,963)	\$ 4,940,159

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2007

	Fund Balances July 1, 2006	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2007
Continued from Page 64	\$ 4,420,065	\$ 12,216,411	\$ 11,296,354	\$ (399,963)	\$ 4,940,159
Special Revenue (continued):					
Other (continued):					
Conservation Funds	10,293	8,274	9,087	(2,000)	7,480
Council on Aging Revolving Funds	24,043	24,571	19,614	-	29,000
Dog Revolving Fund	(1,188)	500	2,771	-	(3,459)
Dog Refund	62,695	-	-	-	62,695
Downtown Parking Reserve	55,787	-	-	-	55,787
Feiker School Rental Revolving	31,779	53,109	54,883	-	30,005
Fire Department Revolving Funds	207,653	185,609	251,889	-	141,373
Fire Outside Detail	(26,070)	22,972	18,973	-	(22,071)
Firearms Licenses Revolving	2,700	19,288	19,213	-	2,775
Florence Community Center Revolving	17,457	96,664	92,995	-	21,126
Gifts & Donations	154,431	234,863	194,428	-	194,866
Handicapped Fund	4,306	-	-	-	4,306
Hazardous Waste Revolving	551	-	-	-	551
Innovative Enterprises Fund	3,000	-	-	-	3,000
Insurance Reimbursements	139	-	-	-	139
Internet Access and Technology	-	81,692	74	-	81,618
J.F.K. Family and Aquatics Center Fund	23,718	88,394	98,876	-	13,236
Juvenile Firesetter Intervention Program	(4,886)	-	-	-	(4,886)
Keg Tag Forfeit Revolving	468	-	-	-	468
Maintenance of School Buildings Revolving Fund	8,777	37,790	29,182	-	17,385
Municipal Waterways Fund	2,836	4,402	-	(2,000)	5,238
Northampton State Hospital Marketing	1,356	-	-	-	1,356
One Family Homelessness Grant	-	10,000	-	-	10,000
Parking Meter Reserves and Passes	756,401	187,086	-	(279,663)	663,824
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	53,188	296,455	275,687	-	73,956
Public Works Grants Projects Revolving	74,391	2,000	74,477	-	1,914
Receipts Reserved for Payment of Debt	179,927	-	-	(90,000)	89,927
Recreation Revolving	40,033	158,222	151,236	-	47,019
Sale of Cemetery Lots	19,750	8,400	-	(4,850)	23,300
Total Page 65	\$ 6,130,868	\$ 13,736,702	\$ 12,589,739	\$ (778,476)	\$ 6,499,355

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2007

	Fund Balances July 1, 2006	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2007
Continued from Page 65	\$ 6,130,868	\$ 13,736,702	\$ 12,589,739	\$ (778,476)	\$ 6,499,355
Special Revenue (continued):					
Other (continued):					
Sale of Land	436,497	-	-	-	436,497
Sale of Lumber	234,469	-	-	-	234,469
Septic Repair Loan Repayments	60,118	7,584	8,218	-	59,484
Stormwater Management	5,833	29,231	21,686	-	13,378
Affordable Housing Fund	411	280	-	-	691
Conservation Land Purchase Fund	107,484	845,797	775,100	-	178,181
Drug Forfeiture Fund	5,295	35,257	11,996	-	28,556
E. Lyman Fund	34	2	-	-	36
Hampton Gardens Fund	462,086	18,387	190,623	-	289,850
Library Fund	59,647	3,574	-	-	63,221
Park Street Improvements Fund	2,445	182	-	-	2,627
Smith Vocational High School Fund	392,366	21,683	-	(190,000)	224,049
Total Special Revenue Funds	7,897,553	14,698,679	13,597,362	(968,476)	8,030,394

Capital Projects:					
City Hall Exterior Upgrades	23,456	-	13,800	-	9,656
Crescent Street Drainage	(294,102)	-	94,601	537,000	148,297
Department of Public Works Roof	(125,000)	-	-	125,000	-
Department of Public Works Salt Shed	(173,600)	-	-	173,600	-
Department of Public Works Street Resurfacing	-	-	10,312	-	(10,312)
Elm Street Drainage Repair	4,507	-	-	-	4,507
Fire Department Aerial Platform Tower	1,868	-	1,868	-	-
Fire Department Custom Pumper	61,643	-	-	(61,643)	-
Fire Department Fire Engine	-	-	378,500	378,500	-
Food Services Van	26	-	-	-	26
Forbes Library Renovations	(876,800)	-	47,234	982,867	58,833
Front End Loader	(119,967)	-	33	120,000	-
Garage Payment System	(135,000)	-	-	135,000	-
Infield Grooming Machine	(13,000)	-	-	13,000	-
Jackson Street HVAC System	(20,094)	45,847	87,425	140,000	78,328
Total Page 66	\$ (1,666,063)	\$ 45,847	\$ 633,773	\$ 2,543,324	\$ 289,335

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2007

	Fund Balances July 1, 2006	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2007
Continued from Page 66					
Capital Projects (continued):					
Jackson Street Boiler Burner Replacement	-	23,662	81,584	-	(57,922)
Police Vehicle Replacements	(29,000)	-	45	29,000	(45)
Police Close Circuit Television System	-	-	49,500	49,500	-
New Fire Station Construction	3,010	-	-	-	3,010
Northampton Public Schools Energy Conservation	-	27,955	55,900	60,000	32,055
Northampton Public Schools Point-of-Sale Systems	-	-	21,728	30,000	8,272
Northampton Senior Center	(488,082)	-	3,421,918	3,910,000	-
Ridgewood Terrace Project	-	-	258,555	310,000	51,445
Ryan Road Bridge Repairs	-	-	80,411	-	(80,411)
Ryan Road Parking Lot	(100,000)	-	79,405	325,000	145,595
Sewer Septic Work	2,988	-	-	-	2,988
Smith Vocational High School E Building Roof	-	-	34,950	60,000	25,050
Smith Vocational High School Cosmetology Shop	-	-	66,849	90,000	23,151
Smith Vocational High School New Boilers	359	-	-	-	359
Smith Vocational High School Parking Lot	(100,000)	-	-	100,000	-
Smith Vocational High School Shop Equipment	(168,432)	-	131,568	300,000	-
Tree Truck Replacement	-	-	128,967	140,000	11,033
Veterans Field Improvements	-	-	140,000	140,000	-
Total Capital Projects	(2,545,220)	97,464	5,185,153	8,086,824	453,915
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	612,806	14,800	-	-	627,606
Permanent Funds:					
Cemetery Funds	106,187	46,873	-	(5,150)	147,910
Total Non-Major Governmental Funds	\$ 6,071,326	\$ 14,857,816	\$ 18,782,515	\$ 7,113,198	\$ 9,259,825

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES,
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2006 TO JUNE 30, 2007

	Uncollected Taxes July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2007	Uncollected Taxes Per Detail June 30, 2007
Real Estate Taxes:						
Levy of 2007	\$ -	\$ 33,760,353	\$ 350,229	\$ 32,809,315	\$ 600,809	\$ 600,809
Levy of 2006	489,505	-	141,803	320,368	27,334	27,334
Levy of 2005	48,551	-	29,273	19,278	-	-
Prior Years	-	-	1,012	(1,012)	-	-
	<u>538,056</u>	<u>33,760,353</u>	<u>522,317</u>	<u>33,147,949</u>	<u>628,143</u>	<u>628,143</u>
Personal Property Taxes:						
Levy of 2007	-	702,047	8,711	675,785	17,551	17,551
Levy of 2006	17,778	-	376	3,596	13,806	13,806
Levy of 2005	11,939	-	-	1,196	10,743	10,743
Levy of 2004	15,363	-	-	554	14,809	14,809
Levy of 2003	160,109	-	-	536	159,573	159,551
Prior Years	171,394	-	-	513	170,881	170,829
	<u>376,583</u>	<u>702,047</u>	<u>9,087</u>	<u>682,180</u>	<u>387,363</u>	<u>387,289</u>
Total Real Estate and Personal Property Taxes	<u>\$ 914,639</u>	<u>\$ 34,462,400</u>	<u>\$ 531,404</u>	<u>\$ 33,830,129</u>	<u>\$ 1,015,506</u>	<u>\$ 1,015,432</u>
Rollback Taxes	<u>\$ 8,300</u>	<u>\$ 5,645</u>	<u>\$ -</u>	<u>\$ 12,365</u>	<u>\$ 1,580</u>	<u>\$ 1,580</u>
Deferred Property Taxes	<u>\$ 112,910</u>	<u>\$ -</u>	<u>\$ (38,063)</u>	<u>\$ 20,670</u>	<u>\$ 130,303</u>	<u>\$ 130,303</u>
Community Preservation Surcharge	<u>\$ -</u>	<u>\$ 732,117</u>	<u>\$ 17,901</u>	<u>\$ 703,132</u>	<u>\$ 11,084</u>	<u>\$ 11,084</u>
Levy of 2007						

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2006 TO JUNE 30, 2007

	Uncollected Taxes July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2007	Uncollected Taxes Per Detail June 30, 2007
Motor Vehicle Excise Taxes:						
Levy of 2007	\$ -	\$ 1,999,189	\$ 55,965	\$ 1,785,260	\$ 157,964	\$ 156,612
Levy of 2006	193,945	234,944	30,912	346,125	51,852	51,709
Levy of 2005	46,446	464	14,292	3,917	28,701	28,689
Levy of 2004	23,344	30	765	3,553	19,056	19,031
Levy of 2003	16,430	-	-	1,996	14,434	14,542
Prior Years	641,022	95	191	3,671	637,255	632,533
	921,187	2,234,722	102,125	2,144,522	909,262	903,116
Boat Excise Taxes:						
Levy of 2007	-	12,001	1,259	7,866	2,876	2,876
Levy of 2006	1,450	-	202	497	751	751
Levy of 2005	930	-	50	366	514	514
Levy of 2004	933	-	-	50	883	883
Levy of 2003	1,707	-	-	-	1,707	1,659
Prior Years	28,600	-	-	24	28,576	28,478
	33,620	12,001	1,511	8,803	35,307	35,161
Total Motor Vehicle Excise and Boat Excise Taxes	\$ 954,807	\$ 2,246,723	\$ 103,636	\$ 2,153,325	\$ 944,569	\$ 938,277

CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2006 TO JUNE 30, 2007

	Uncollected Accounts July 1, 2006	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2007	Uncollected Accounts Per Detail June 30, 2007
Tax Liens	\$ 558,673	\$ 245,034	\$ 39,072	\$ 244,896	\$ 519,739	\$ 519,739
Taxes in Litigation	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794